

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CHARLEVOIX TOWNSHIP	County CHARLEVOIX
Fiscal Year End JUNE 30, 2007	Opinion Date DECEMBER 20, 2007	Date Audit Report Submitted to State JANUARY 11, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

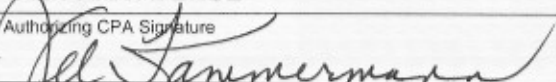
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) MASON & KAMMERMAN, P.C.	Telephone Number 231-547-4911		
Street Address 110 PARK AVENUE	City CHARLEVOIX	State MI	Zip 49720
Authorizing CPA Signature 	Printed Name VELDA K. KAMMERMAN	License Number 2001483	

CHARLEVOIX TOWNSHIP

CHARLEVOIX, MICHIGAN

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FINANCIAL STATEMENTS

AND OTHER FINANCIAL INFORMATION

for the year ended June 30, 2007

MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CHARLEVOIX, MICHIGAN

# Charlevoix Township

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MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON  
VELDA K. KAMMERMANN

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Charlevoix, Michigan 49720  
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Facsimile (231) 547-5911

INDEPENDENT AUDITOR'S REPORT

December 20, 2007

Members of the Township Board  
Charlevoix Township  
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund and aggregate remaining fund information of Charlevoix Township of Charlevoix, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of Charlevoix Township as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Mason & Kammermann, P.C.*  
Mason & Kammermann, P.C.  
Certified Public Accountants

# **Charlevoix Township**

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## **Management's Discussion & Analysis**

This section of Charlevoix Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended June 30, 2007.

### **Overview of the Financial Statements**

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are presented in a format to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Charlevoix Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

### **Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Charlevoix Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Charlevoix Township is improving or deteriorating.

The Statement of Activities presents changes in the government's net assets during the most recent fiscal year, on the accrual basis of accounting.

### **Fund Financial Statements**

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Charlevoix Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Charlevoix Township uses three categories of funds, which are governmental, proprietary and fiduciary funds.

# **Charlevoix Township**

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## **Management's Discussion & Analysis**

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

### **Proprietary Funds**

Proprietary funds are used to account for the services provided by the Township where the Township charges customers (whether external or internal) for the services it provides. These funds use accrual accounting. The Township maintains one enterprise fund that is used to report the water operations and maintenance. It is reported as a business-type activity in the government-wide financial statements.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

# Charlevoix Township

## Management's Discussion & Analysis

### Financial Analysis of the Township as a Whole

The table below shows, in a condensed format, the Township's net assets as of June 30, 2007:

#### Net Assets June 30, 2007 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b><u>Assets</u></b>						
<b>Current assets</b>	\$ 1,429,905	\$ 1,553,298	\$ 336,234	\$ 306,344	\$ 1,766,139	\$ 1,859,642
<b>Noncurrent assets</b>						
Capital assets, net	1,076,923	779,845	1,435,893	1,498,250	2,512,816	2,278,095
Total assets	2,506,828	2,333,143	1,772,127	1,804,594	4,278,955	4,137,737
<b><u>Liabilities and Net Assets</u></b>						
<b>Current liabilities</b>	4,816	-	4,343	16,028	9,159	16,028
<b>Net assets</b>						
Contributed capital	-	-	600,313	600,313	600,313	600,313
Invested in capital assets, net	1,076,923	779,845	-	-	1,076,923	779,845
Unrestricted	1,425,089	1,553,298	1,167,471	1,188,253	2,592,560	2,741,551
Total net assets	<u>\$ 2,502,012</u>	<u>\$ 2,333,143</u>	<u>\$ 1,767,784</u>	<u>\$ 1,788,566</u>	<u>\$ 4,269,796</u>	<u>\$ 4,121,709</u>

The Township's total net assets from governmental activities are \$2,502,012. The proprietary fund has net assets totaling \$1,767,784. The township has \$1,425,089 of unrestricted governmental net assets, which could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.



# Charlevoix Township

## Management's Discussion & Analysis

The following table shows how activities affected changes in net assets during the fiscal year.

### Change in Net Assets For the Years Ended June 30, 2007 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program Revenues						
Charges for services	\$ 46,241	\$ 44,641	\$ 187,119	\$ 172,611	\$ 233,360	\$ 217,252
General Revenues:						
Property taxes	505,664	480,482	-	-	505,664	480,482
State shared revenues	117,991	115,990	-	-	117,991	115,990
Interest	58,038	30,741	4,890	1,679	62,928	32,420
Other	1,542	21,494	1,190	19,717	2,732	41,211
Transfers – internal activity	20,550	20,200	(20,550)	(20,200)	-	-
Total revenues	750,026	713,548	172,649	173,807	922,675	887,355
<b>Expenses:</b>						
Legislative	236,934	210,290	-	-	236,934	210,290
General government	182,018	148,533	-	-	182,018	148,533
Public safety	79,676	58,389	-	-	79,676	58,389
Public works	19,622	21,550	193,431	127,881	213,053	149,431
Health & welfare	16,826	16,027	-	-	168,826	16,027
Community/economic develop.	15,913	23,175	-	-	15,913	23,175
Recreation and cultural	30,168	30,531	-	-	30,168	30,531
Total expenses	581,157	508,495	193,431	127,881	774,588	636,376
Change in net assets	<u>\$ 168,869</u>	<u>\$ 205,053</u>	<u>\$ (20,782)</u>	<u>\$ 45,926</u>	<u>\$ 148,087</u>	<u>\$ 250,979</u>

### Revenue sources and changes

Total revenue from all sources totaled \$922,675, of which \$750,026 was from governmental activities and \$172,649 was from business-type activities. Revenue from governmental activities consists primarily of 67.4% from property taxes, 15.7% from state shared revenue, 7.7% from interest and 6.2% from charges for services. Property taxes were the largest source of revenue for which they levied 3 mills for general operations.

# **Charlevoix Township**

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## **Management's Discussion & Analysis**

### **Expenses**

Using a full accrual basis of accounting, the Township spent \$581,157 on governmental activities. This equates to 40.8% on legislative activities, 31.3% on general government, 13.7% on public safety, 5.2% on culture and recreation, 3.4% on public works, 2.9% on community and economic development and 2.7% on health and welfare.

### **Business-type Activity Highlights**

Business-type activities show a decrease in net assets of \$20,782 on revenues of \$172,649. The largest source of revenue was from charges for services.

### **Financial Analysis of the Township's Funds**

At June 30, 2007, the Township's governmental funds reported cash and investments of \$1,411,193, which is approximately \$103,717 less than last year.

Expenditures in the General Fund exceeded revenues by \$128,209, which decreased the fund balance to \$1,425,089.

### **General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was not amended during the year. However, as additional information becomes known during the fiscal year, budget amendments are made to recognize the additional revenue and/or planned expenditures related to various Township programs.

### **Capital Assets**

At fiscal year ended June 30, 2007, the Township has \$1,076,923 in capital assets, net of accumulated depreciation. During the year, the Township invested \$367,291 in fire equipment and \$21,932 in equipment.

Generally, capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land, recreational land improvements, buildings, equipment, furniture and fixtures, and fire equipment. The Township uses straight-line depreciation for all depreciable assets.

### **Long-Term Debt**

The Township had no outstanding long-term debt for governmental activities as of June 30, 2007.

# **Charlevoix Township**

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## **Management's Discussion & Analysis**

### **Requests for Information**

This financial report is designed to provide a general overview of Charlevoix Township's finances for all of those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Charlevoix Township, 12491 Waller Rd., Charlevoix, MI 49720.

# Charlevoix Township

## Statement of Net Assets June 30, 2007

	Governmental Activities	Business-type Activities	Total
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 903,583	\$ 312,396	\$ 1,215,979
Investments	507,610	-	507,610
Accounts receivable	18,209	19,884	38,093
Inventory	-	2,994	2,994
Due from other funds	503	960	1,463
Total current assets	1,429,905	336,234	1,766,139
<b>Noncurrent Assets</b>			
Capital assets	2,308,085	2,639,110	4,947,195
Less: accumulated depreciation	(1,231,162)	(1,203,217)	(2,434,379)
Total noncurrent assets	1,076,923	1,435,893	2,512,816
Total assets	2,506,828	1,772,127	4,278,955
<b><u>Liabilities and Net Assets</u></b>			
<b>Current Liabilities</b>			
Accounts payable	3,856	4,343	8,199
Due to other funds	960	-	960
Total liabilities	4,816	4,343	9,159
<b>Net Assets</b>			
Contributed capital	-	600,313	600,313
Invested in capital assets	1,076,923	-	1,076,923
Fund balance - undesignated	1,425,089	1,167,471	2,592,560
Total net assets	\$ 2,502,012	\$ 1,767,784	\$ 4,269,796

The accompanying notes are a part of the financial statements.

# Charlevoix Township

## Statement of Activities For The Year Ended June 30, 2007

	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Legislative	\$ 236,934	\$ -	\$ -	\$ -	\$ (236,934)	\$ -	\$ (236,934)
General government	182,018	-	-	-	(182,018)	-	(182,018)
Public safety	79,676	36,402	-	-	(43,274)	-	(43,274)
Public works	19,622	8,665	-	-	(10,957)	-	(10,957)
Health & welfare	16,826	-	-	-	(16,826)	-	(16,826)
Community & economic development	15,913	1,174	-	-	(14,739)	-	(14,739)
Recreation & cultural	30,168	-	-	-	(30,168)	-	(30,168)
Total government activities	581,157	46,241	-	-	(534,916)	-	(534,916)
Business-Type Activities							
Water	193,431	187,119	-	-	-	(6,312)	(6,312)
Total Primary Government	\$ 774,588	\$ 233,360	\$ -	\$ -	(534,916)	(6,312)	(541,228)
General Revenues:							
Taxes:							
Property taxes					505,664	-	505,664
State shared revenues					117,991	-	117,991
Interest					58,038	4,890	62,928
Other					1,542	1,190	2,732
Transfers - internal activity					20,550	(20,550)	-
Total general revenues and transfers					703,785	(14,470)	689,315
Change in net assets					168,869	(20,782)	148,087
Net assets - July 1, 2006					2,333,143	1,788,566	4,121,709
Net assets - June 30, 2007					\$ 2,502,012	\$ 1,767,784	\$ 4,269,796

The accompanying notes are a part of the financial statements.

# Charlevoix Township

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## Governmental Funds Balance Sheet June 30, 2007

<u>Assets</u>	<u>General</u>
Cash and cash equivalents	\$ 903,583
Investments	507,610
Accounts receivable	18,209
Due from other funds	503
	<hr/>
Total assets	<u>\$ 1,429,905</u>
 <u>Liabilities &amp; Fund Equity</u>	
Liabilities:	
Accounts payable	\$ 3,856
Due to other funds	960
	<hr/>
Total liabilities	4,816
 Fund Equity,	
Fund Balance - undesignated	<hr/> 1,425,089
	<hr/>
Total liabilities & fund equity	<u>\$ 1,429,905</u>

The accompanying notes are a part of the financial statements.

# **Charlevoix Township**

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## **Governmental Funds Reconciliation of the Governmental Fund Balances of Governmental Activities to the Statement of Net Assets of Governmental Activities June 30, 2007**

Total Fund Balances - Governmental Funds	\$ 1,425,089
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Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the governmental funds  
balance sheet.

Cost of capital assets	2,308,085
Accumulated depreciation	<u>(1,231,162)</u>

Total net assets - governmental activities	<u><u>\$ 2,502,012</u></u>
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The accompanying notes are a part of the financial statements.

# Charlevoix Township

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## Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance For The Year Ended June 30, 2007

	<u>General</u>
<b>Revenues:</b>	
Property taxes	\$ 505,664
State shared revenue	117,991
Licenses & permits	1,174
Charges for services	45,067
Interest	58,038
Other	<u>1,542</u>
Total revenues	<u>729,476</u>
<b>Expenditures:</b>	
Current:	
Legislative	236,934
General government	154,400
Public safety	39,491
Public works	19,622
Health & welfare	16,826
Community & economic development	15,913
Recreation & cultural	5,826
Capital outlay	<u>389,223</u>
Total expenditures	<u>878,235</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(148,759)
<b>Other Financing Sources:</b>	
Transfers in	<u>20,550</u>
<b>Net change in fund balance</b>	(128,209)
<b>Fund balance - July 1, 2006</b>	<u>1,553,298</u>
<b>Fund balance - June 30, 2007</b>	<u><u>\$ 1,425,089</u></u>

The accompanying notes are a part of the financial statements.



# **Charlevoix Township**

## **Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities of Governmental Funds For The Year Ended June 30, 2007**

Net Change in Fund Balance - Governmental Funds	\$ (128,209)
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives	389,223
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Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements	<u>(92,145)</u>
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Changes in net assets - governmental activities	<u><u>\$ 168,869</u></u>
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The accompanying notes are a part of the financial statements.

# Charlevoix Township

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## Proprietary Fund Statement of Net Assets June 30, 2007

<u>Assets</u>	<u>Water</u>
<b>Current Assets</b>	
Cash	\$ 312,396
Accounts receivable	19,884
Inventory	2,994
Due from other funds	960
	<hr/>
Total current assets	336,234
	<hr/>
<b>Noncurrent Assets</b>	
Capital assets	2,639,110
Accumulated depreciation	(1,203,217)
	<hr/>
Total noncurrent assets	1,435,893
	<hr/>
Total assets	<u><u>\$ 1,772,127</u></u>
<b><u>Liabilities and Net Assets</u></b>	
Liabilities:	
Accounts payable	\$ 4,343
Net Assets:	
Contributed capital	600,313
Net assets - undesignated	1,167,471
	<hr/>
Total net assets	1,767,784
	<hr/>
Total liabilities and net assets	<u><u>\$ 1,772,127</u></u>

The accompanying notes are a part of the financial statements.

# Charlevoix Township

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## Proprietary Fund Statement of Revenues, Expenditures and Changes in Net Assets For The Year Ended June 30, 2007

	<u>Water</u>
<b>Operating Revenues:</b>	
Water sales	\$ 131,522
Connection fees	23,075
Rental income	32,522
Miscellaneous	<u>1,190</u>
Total revenues	<u>188,309</u>
<b>Cost of Goods Sold</b>	
Connection expenses	<u>5,172</u>
Gross profit	<u>183,137</u>
<b>Operating Expenses</b>	
Professional services	8,338
Depreciation	62,357
Utilities	38,771
Repair and maintenance	74,923
Other	<u>3,870</u>
Total expenditures	<u>188,259</u>
Operating income	(5,122)
<b>Nonoperating Revenue</b>	
Interest income	<u>4,890</u>
<b>Excess of Revenues Under Expenditures</b>	(232)
<b>Other Financing Uses:</b>	
Transfers out	<u>(20,550)</u>
<b>Net Change in Net Assets</b>	(20,782)
<b>Net assets - July 1, 2006</b>	<u>1,188,253</u>
<b>Net assets - June 30, 2007</b>	<u><u>\$ 1,167,471</u></u>

The accompanying notes are a part of the financial statements.

# Charlevoix Township

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## Proprietary Fund Statement of Cash Flows For The Year Ended June 30, 2007

	Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES:	
Fees and services	\$ 183,901
Payments for goods and services	<u>142,759</u>
Net cash provided by operating activities	41,142
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	4,890
CASH FLOWS FROM NONOPERATING FINANCING ACTIVITIES	
Transfers to other funds	<u>(20,550)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,482
CASH AND CASH EQUIVALENTS, July 1, 2006	<u>286,914</u>
CASH AND CASH EQUIVALENTS, June 30, 2007	<u><u>312,396</u></u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:	
Unrestricted	<u><u>\$ 312,396</u></u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ (5,122)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	62,357
Increase in accounts receivable	(4,408)
Decrease in accounts payable	<u>(11,685)</u>
Net cash provided by operating activities	<u><u>\$ 41,142</u></u>

The accompanying notes are a part of the financial statements.

# Charlevoix Township

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## Fiduciary Fund Statement of Net Assets June 30, 2007

### Assets

Cash

\$ 503

### Liabilities

Due to other funds

\$ 503

The accompanying notes are a part of the financial statements

# Charlevoix Township

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## Fiduciary Fund Statement of Changes in Fiduciary Net Assets For The Year Ended June 30, 2007

### Additions:

Property Tax Collections for:	
Primary government	\$ 477,374
Other governments	5,244,929
Interest income	<u>15,017</u>
Total additions	<u>5,737,320</u>

### Deductions:

Property Tax Distributions to:	
Primary government	492,391
Other governments	<u>5,244,929</u>
Total deductions	<u>5,737,320</u>

Change in net assets	-
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Fiduciary net assets - July 1, 2006	<u>-</u>
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Fiduciary net assets - June 30, 2007	<u><u>\$ -</u></u>
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The accompanying notes are a part of the financial statements.

# **Charlevoix Township**

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## **Notes To Financial Statements For The Year Ended June 30, 2007**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Charlevoix Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charlevoix Township.

#### **A. Reporting Entity**

The Township operates under a Board-Supervisor form of government and provides the following services:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# **Charlevoix Township**

## **Notes To Financial Statements For The Year Ended June 30, 2007**

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Proprietary Funds – Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for the capital maintenance public policy, management control, accountability, or other purposes.

Fiduciary Fund – The Fiduciary Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.



# **Charlevoix Township**

## **Notes To Financial Statements For The Year Ended June 30, 2007**

### **D. Assets, Liabilities, and Net Assets or Equity**

#### **Cash and cash equivalents**

Cash and cash equivalents include amounts held in bank accounts and money markets.

Cash deposits are reported at carrying amount, which reasonably estimates fair value. Short-term investments are reported at cost, which approximates fair value. Other investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value.

#### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

#### **Inventory**

Inventory included in the Proprietary Fund Type is valued at the lower of cost (first-in, first-out) or market.

#### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives.

Buildings	40 years
Furniture & Fixtures	10 years
Equipment	5 years
Recreational Land Improvements	30 years
Safety Equipment	20 years

# **Charlevoix Township**

## **Notes To Financial Statements For The Year Ended June 30, 2007**

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included in their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Accumulated depreciation totals \$1,203,217 in the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Plant and Equipment	15-60 years

### **Long-term Obligations**

As of June 30, 2007, the Township has no outstanding long-term debt.

### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates**

The Township used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

# **Charlevoix Township**

## **Notes To Financial Statements For The Year Ended June 30, 2007**

### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgets and Budgetary Accounting**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 15, the Township Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted.
4. The Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles.
7. Appropriations expire at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by the Township Board. Individual amendments were not material in relation to the original appropriations.

#### **Excess of Expenditures over Appropriations in Budgeted Funds**

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year, the Township did not incur expenditures in the General Fund in excess of amounts appropriated. The Township's budgeted and actual expenditures have been shown on a function basis.

#### **Accumulated Fund Deficits**

The Charlevoix Township had no funds with an accumulated fund balance/retained earnings deficit at June 30, 2007.

# **Charlevoix Township**

## **Notes To Financial Statements For The Year Ended June 30, 2007**

### **NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Cash and Cash Equivalents – At June 30, 2007, the carrying amount of the Township's cash and cash equivalents were \$903,583 for governmental activities and \$312,396 for business-type activities.

Investments – As of June 30, 2007, the Township's investments are carried at fair value totaling \$507,610, and are backed by U.S. Government obligations. The nature of the investment funds does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

Federal Depository Insurance – Of the above balances, \$988,816 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$734,773 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The township may experience significant fluctuations in deposit balances during the year.

### **NOTE 4 – PROPERTY TAXES**

Property taxes are levied on July first and December first and are payable on September fourteenth and February fourteenth, respectively. Property tax revenues are recognized when levied.

The Township levied 3 mills for general operations on state taxable valuation of \$168,261,884 on the 2006 tax roll.

The Township also bills and collects taxes for other governmental units, which are accounted for in an Agency Fund.

# Charlevoix Township

## Notes To Financial Statements For The Year Ended June 30, 2007

### NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Balance at July 1, 2006	Additions	Dispositions	Balance at June 30, 2007
Capital assets not being depreciated				
Land	\$ 6,134	\$ -	\$ -	\$ 6,134
Capital assets being depreciated				
Buildings	157,345	-	-	157,345
Equipment & Furniture	60,954	-	-	60,954
Equipment	227,876	21,932	-	21,932
Recreation	872,591	-	-	872,591
Safety Equipment	593,962	367,291	-	961,253
Total Capital Assets being depreciated	1,912,728	389,223	-	2,308,085
Less: Accumulated Depreciation	(1,139,017)	(92,145)	-	(1,231,162)
Total Net Capital Assets	<u>\$ 779,845</u>	<u>297,078</u>	<u>-</u>	<u>1,076,923</u>

Depreciation expense was charged to the Township's functions as follows:

General Government	\$ 27,618
Public Safety	40,185
Recreation	<u>24,342</u>
	<u>\$ 92,145</u>

Following is a summary of Water Fund assets:

Land	\$ 15,690
Building	54,224
Wells and wellhouses	404,860
Equipment	229,804
Water lines	985,926
Storage tanks	<u>948,606</u>
Total assets	2,639,110
Less: accumulated depreciation	<u>(1,203,217)</u>
Total	<u>\$ 1,435,893</u>

# **Charlevoix Township**

## **Notes To Financial Statements For The Year Ended June 30, 2007**

### **NOTE 6 – RECEIVABLES & PAYABLES**

Interfund receivables and payables of the individual funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 503	\$ 960
Tax Fund	-	503
Water Fund	960	-
	<u>          </u>	<u>          </u>
Total	<u>\$ 1,463</u>	<u>\$ 1,463</u>

### **NOTE 7 – RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and workman's compensation coverage. The Plan is self-sustaining through member premiums and 100 percent reinsures through commercial companies.

### **NOTE 8 – PENSION PLAN**

The Township approved a defined contribution plan covering its full time employees. The Board approved a 6 percent contribution resulting in a pension expense of \$10,516 for the year.

### **NOTE 9 – COMMITMENTS**

Subsequent to year end, the Township has approved a contract for road improvements totaling \$28,635.

# Charlevoix Township

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances

### Budgetary Comparison

### For The Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 510,786	\$ 510,786	\$ 505,664	\$ (5,122)
State Revenues:				
State shared revenue	75,000	75,000	117,991	42,991
Charges for services	45,067	45,067	45,067	-
Licenses and permits	400	400	1,174	774
Interest	7,000	7,000	58,038	51,038
Other	-	-	1,542	1,542
Total revenues	<u>638,253</u>	<u>638,253</u>	<u>729,476</u>	<u>91,223</u>
<b>Expenditures:</b>				
<b>Legislative</b>				
<b>Township Board</b>				
Salaries	150,000	150,000	132,601	(17,399)
Payroll taxes	13,000	13,000	10,695	(2,305)
Health insurance	30,000	30,000	18,488	(11,512)
Pension	12,000	12,000	10,516	(1,484)
Insurance	40,000	40,000	34,021	(5,979)
Office supplies	10,000	10,000	7,582	(2,418)
Printing and publishing	3,000	3,000	1,941	(1,059)
Professional services	10,000	10,000	13,907	3,907
Other expenses	15,500	15,500	7,183	(8,317)
Total Legislative	<u>283,500</u>	<u>283,500</u>	<u>236,934</u>	<u>(46,566)</u>
<b>General Government</b>				
<b>Township Supervisor</b>				
Salary	23,860	23,860	23,860	-
Travel	500	500	500	-
Total township supervisor	<u>24,360</u>	<u>24,360</u>	<u>24,360</u>	<u>-</u>
<b>Elections</b>				
Salary	2,000	2,000	1,620	(380)
Supplies	500	500	99	(401)
Printing and publishing	500	500	60	(440)
Other expenses	3,000	3,000	312	(2,688)
Total elections	<u>6,000</u>	<u>6,000</u>	<u>2,091</u>	<u>(3,909)</u>

# Charlevoix Township

## Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For The Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Township Assessor</b>				
Contracted services	22,000	22,000	23,044	1,044
Supplies	10,000	10,000	3,485	(6,515)
Total township assessor	32,000	32,000	26,529	(5,471)
<b>Township Clerk</b>				
Salary, clerk	22,328	22,328	22,328	-
Salary, deputy clerk	960	960	960	-
Travel	700	700	500	(200)
Total township clerk	23,988	23,988	23,788	(200)
<b>Township Board of Review</b>				
Salaries	2,500	2,500	1,875	(625)
<b>Township Treasurer</b>				
Salary, treasurer	19,839	19,839	19,492	(347)
Travel	500	500	500	-
Total township treasurer	20,339	20,339	19,992	(347)
<b>Summer Tax Collection</b>				
Supplies	-	-	522	522
Travel	-	-	347	347
Manatron	1,000	1,000	536	(464)
Total summer tax collection	1,000	1,000	1,405	405
<b>Township Hall</b>				
Telephone	5,000	5,000	4,553	(447)
Utilities	4,000	4,000	3,085	(915)
Repairs and maintenance	13,000	13,000	9,869	(3,131)
Total township hall	22,000	22,000	17,507	(4,493)
<b>Grounds &amp; Equipment</b>				
Operating supplies	8,000	8,000	8,382	382
Repairs and maintenance	35,000	35,000	28,471	(6,529)
Total grounds & equipment	43,000	43,000	36,853	(6,147)
<b>Total General Government</b>	175,187	175,187	154,400	(20,787)



# Charlevoix Township

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances

### Budgetary Comparison

### For The Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Public Safety</b>				
<b>Fire Department</b>				
Operating supplies	2,000	2,000	1,548	(452)
Telephone	1,500	1,500	1,052	(448)
Repairs and maintenance	10,000	10,000	8,445	(1,555)
Utilities	3,000	3,000	3,000	-
Other expenses	33,000	33,000	25,446	(7,554)
Total public safety	<u>49,500</u>	<u>49,500</u>	<u>39,491</u>	<u>(10,009)</u>
<b>Public Works</b>				
Professional services	10,000	10,000	-	(10,000)
Road improvements	234,500	234,500	19,455	(215,045)
Road maintenance	25,000	25,000	167	(24,833)
Total public works	<u>269,500</u>	<u>269,500</u>	<u>19,622</u>	<u>(249,878)</u>
<b>Health &amp; Welfare</b>				
Ambulance	16,827	16,827	16,826	(1)
<b>Community &amp; Economic Development</b>				
<b>Zoning Board</b>				
Salary	15,000	15,000	9,500	(5,500)
Supplies	6,000	6,000	82	(5,918)
Travel	1,500	1,500	545	(955)
Professional services	20,000	20,000	5,051	(14,949)
Printing and publishing	4,000	4,000	442	(3,558)
Other expenses	2,000	2,000	293	(1,707)
Total community & economic development	<u>48,500</u>	<u>48,500</u>	<u>15,913</u>	<u>(32,587)</u>
<b>Recreation and Culture</b>				
Utilities	3,500	3,500	3,219	(281)
Repairs and maintenance	25,000	25,000	2,607	(22,393)
Total recreation and culture	<u>28,500</u>	<u>28,500</u>	<u>5,826</u>	<u>(22,674)</u>

# Charlevoix Township

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances

### Budgetary Comparison

### For The Year Ended June 30, 2007

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
<b>Capital Outlay</b>				
Fire equipment	400,000	400,000	367,291	(32,709)
Other equipment	45,200	45,200	21,932	(23,268)
Sewer project	749,351	749,351	-	(749,351)
Recreation land improvements	100,000	100,000	-	(100,000)
Total capital outlay	1,294,551	1,294,551	389,223	(905,328)
Total expenditures	2,166,065	2,166,065	878,235	(1,287,830)
<b>Excess of Revenues Over (Under) Expenditures</b>	(1,527,812)	(1,527,812)	(148,759)	1,379,053
<b>Other Financing Sources:</b>				
Transfers in	20,200	20,200	20,550	350
<b>Net change in fund balance</b>	(1,507,612)	(1,507,612)	(128,209)	1,379,403
<b>Fund balance - July 1, 2006</b>	1,507,612	1,507,612	1,553,298	45,686
<b>Fund balance - June 30, 2007</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,425,089</u>	<u>\$ 1,425,089</u>

MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON  
VELDA K. KAMMERMANN

110 Park Avenue  
Charlevoix, Michigan 49720  
Telephone (231) 547-4911  
Facsimile (231) 547-5911

December 20, 2007

To the Board of Trustees  
Charlevoix Township  
Charlevoix, MI 49720

We have audited the financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of Charlevoix Township for the year ended June 30, 2007, and have issued our report thereon dated December 20, 2007. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated, August 10, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Charlevoix Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charlevoix Township are described in Note 1 to the financial statements. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of Charlevoix Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Mason & Kammermann, P.C.*

Mason & Kammermann, P.C.  
Certified Public Accountants